

HELPING EACH OTHER

THROUGH CO-OPERATIVES

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Helping Each Other Through Co-operatives was the title of a pamphlet written by Victorian co-operator Ted Long in 1965. The title is a timeless expression of the essence of credit co-operatives. As argued by Long : Economic co-operation is an old and tried formula for bringing social justice and charity to the masses of the world's people. It has succeeded in every country in which it has been tried and in every type of economic activity. It has worked among people of widely different political systems and cultures. (p 3).

Writing about the Y.C.W. co-operatives in Victoria and the Antigonish co-operatives in N.S.W., Long outlined the twelve basic principles as being :

1. The supremacy of the individual.
2. Social reform must come through education.
3. Education must begin with the economic.
4. Education must come through group action.
5. Effective social reform involves fundamental changes in social and economic institutions.
6. The ultimate objective of the movement is full and abundant life for everyone in the community. (p.12)

While helping each other through co-operatives remains an objective, it is appropriate to reassess on an ongoing basis who is and who is not being helped and why.

WORKSHOP IMPETUS

The impetus for today's reassessment of the role of credit co-operatives was the reaction of the Ministerial Advisory Committee on Co-operation (MACC) to a recommendation by government officials that the government cease supporting an activity involving two credit co-operatives.(1)

MACC was established in 1984 to advise on policy matters relating to the drafting of new co-operative legislation and policy development relating to the co-operative movement generally. Over this seven year period MACC has observed the fluctuating experience of co-operatives with government while it has striven to establish an appropriate co-operative legislative framework. 0

Since 1986 the Ministry of Consumer Affairs has, for instance, been funding low cost loan services under a Community Credit Program, including the Fitzroy and Carlton and Macaulay Community Credit Co-operatives.

After four years of quiescence, in 1990 Government officials recommended, without benefit of a formal review, that the low cost lending services were outside the objectives and

responsibilities of the Ministry of Consumer Affairs. Opposition to this recommendation forced the establishment of a formal review.

In 1991 the formal review was undertaken and completed by the Ministry of Consumer Affairs but there are divergent views on its value - whether or not it was conceptually flawed, whether or not it was ideologically driven under the rubric of economic rationalism and whether or not the conclusions were substantiated by the evidence cited.(2) The evaluation did serve the purpose, however, of providing documentation for the previous decision to oppose refunding. An earlier external study, funded by the Ministry of Consumer Affairs and the Brotherhood of St. Laurence, concluded that the low cost lending services were successfully servicing low income people who had no access to or were intimidated by mainstream lenders.

Eventually, the former Minister of Consumer Affairs, the Hon. Brian Mier, disagreed with the Ministry's officials and the low cost loan services were refunded for a 12 month period at a reduced level of support. Continuation of the services had been supported by the Australian Labor Party's Consumer Affairs and Social Justice Committees, and local M.P.s - as well as MACC. Given there is no guarantee beyond 12 months, this reinforced MACC's belief that a workshop should be organized to assess the possibilities for the future development of low cost loan services.

GENERALLY UNSYMPATHETIC

For MACC this specific experience of the Fitzroy - Carlton and Macaulay Community Credit Co-operatives was a turning point. MACC could continue to turn the other cheek or it could fight this particular recommendation.

The proposal to withdraw funding was indicative of the absence of an appropriate working relationship between the Government and the Co-operative movement in Victoria. Neither the Government nor government officials, however, have an overall policy framework on co-operatives and co-operative development. Co-operatives are not generally recognized by government as a mainstream option. The actual experience of co-operatives who are dealing with governments and government officials varies - it depends on which Government Ministers, which Ministerial Advisors, which members of the Senior Executive Service and which Divisions, Branches or Units.

In the absence of a supportive policy framework, co-operatives are critically dependent on the attitudes and actions of different governments and government officials who may or may not arrogate to themselves decision making powers that are the prerogative of co-operatives and their members. Appropriate co-operative legislation will critically influence but not establish, a supportive policy framework. (3)

DEMOCRATIZED CREDIT

Credit co-operatives are owned and controlled by their members. It is the members who adopt and change the rules. It is the members who elect the directors. Each member is eligible to stand as a director. This ownership and control is based on one vote per member and, therefore, the majority of members own and control co-operatives.

Unlike co-operatives, banks are not democratic. The owners and controllers of banks are the majority of shares - rather than the majority of shareholders. These significant differences between credit co-operatives and banks were ignored by the evaluation which, instead, assumed that people should have access to "mainstream" banks - rather than credit co-operatives. It is a further example of the assumption that co-operatives are not a "mainstream" option.

But, then, it is not surprising that an evaluation emanating from the public sector is unsympathetic towards co-operatives. The public sector is not itself recognized for its adherence to democratic philosophy, principles and practices. Indeed, the public sector is being corporatised - a restructuring process which aims to convert the public service ethic into a private enterprise ethic.

RECONCILE WITHOUT COMPROMISE

The experience of Fitzroy - Carlton and Macaulay Community Credit Co-operatives has raised a crucial question : How do you receive government support without compromising the autonomy and democracy of co-operatives?

Government assistance for co-operatives can be appropriate. The difficulty, however, is that government and government officials may use their assistance to exercise control over co-operatives assisted and/or the co-operatives may become dependent on government assistance for their existence. Government assistance may eventually degenerate into bureaucratic imperatives which are ultimately inconsistent with co-operative autonomy and democracy.

Part of the cost of dependence on government assistance is that its premature withdrawal could jeopardize or handicap a co-operative's economic viability and even lead towards eventual collapse. The threatened withdrawal of the Ministry of Consumer Affairs funding from the Fitzroy - Carlton and Macaulay Credit Co-operatives would have created unnecessary hardship which could have been avoided by a mutual agreement on the withdrawal of funding over a specified time period.

EXTENDED CO-OPERATION

What is the capacity of credit co-operatives to extend their services to all who need and can use it? Clearly, individuals who cannot afford to re-pay neither need nor can use loans. Of

course, all loans are a form of cash flow income support. But then, is there a point at which a low cost loan is an inappropriate substitute for a more adequate level of income support from the Commonwealth Government ?

The question must be examined in the context of economic and political realities which include :

Competition from other financial institutions;

The prudential standards necessary for economic viability;

The prudential requirements of regulators;

The prudential expectations and fears of government;

The actual co-operative education activities of co-operatives with their members and the public;

The actual co-operation between co-operatives;

The understanding, acceptance and implementation of co-operative philosophy and principles by the members of credit co-operatives;

The membership mix between low balance - high transaction and high balance - low transaction members;

The potential to recruit new members who understand, accept and implement co-operative philosophy and principles.

Between 1981 and 1990 there have been significant increases in the membership, assets, loans and reserves of credit co-operatives throughout Australia. There has also been a decrease in the number of credit co-operatives - from 620 in 1981 to 383 in 1990.(4)

Are there viable options to the continuing process of amalgamation and will these impact differently on the growth and accessibility of credit co-operatives? Sponsorship of smaller by larger credit co-operatives? Co-operatives sharing the same offices? Co-operatives joining together to establish a common management service? Joint marketing campaigns by co-operatives?

An additional possibility is the establishment of new credit co-operatives. In April 1990 a credit union was established in N.S.W. for the first time in 15 years - the North Coast Ethical Credit Union. By 31 March 1991 North Coast had 700 members, total assets of \$1,057,897 and had loaned \$608,897. The credit union's policy stress that " Socially disadvantaged people such as single parents and unemployed are also welcome to apply for loans." The last credit co-operative to be established in Victoria was the AXIS Credit Co-operative Limited on 5 January 1990.

CONCLUSION

The renewal of co-operative philosophy is a basis for the continuing relevance of credit co-operatives. Credit co-operatives were established to democratize access to credit initially and eventually to provide the basis for the co-operatisation of all economic activity. What are the justified possibilities for extending credit on what basis and for whom? The challenge for today's workshop is not to ask why - but rather to ask why not !

EXPLANATORY NOTES

1. The currently funded low cost lending services are Fitzroy-Carlton Community Credit Co-operative, Macaulay Community Credit Co-operative, Good Shepherd Youth and Family Services and Hanover Welfare Services. The Ministry of Consumer Affairs funds have been for the employment of loans officers. The loans themselves are drawn from the deposits within the two credit co-operatives and funds specially created by the two welfare agencies.

2. The evaluation concluded that the low cost loans program had not been particularly effective in increasing the access of low income people to credit or in changing the operation of mainstream credit providers and that it did not appear to be a cost effective use of scarce funds. Discontinuation of funding from July 1991 was recommended in April 1991. There have been two critiques of the evaluation - a paper prepared for the Ministerial Advisory Committee on Co-operation, Evaluation of Low Cost Loans and Buyers Advice Programs : A Critique (May 1991) and a paper prepared by the Community Credit Access Network, A Critique of the Evaluation into the Low Cost Loans Program (June 1991). The paper prepared for MACC argued inter alia : the evaluation of Low Cost Loans and Buying Advice Programs is an inadequate and incomplete assessment of the services. The evaluation is ahistorical in not recognizing that credit co-operatives established in Victoria since 1953 have been low cost lending services (p10). The Community Credit Access Network critique concluded that " the arguments and the findings of the Ministry of Consumer Affairs Report are flimsy and flawed - reflecting and reinforcing predetermined and prejudiced views about low cost lending services, credit co-operatives and people who have low incomes. The evaluation is based on inadequate evidence which is only partially and selectively acknowledged." (p8)

3. The Ministerial Advisory Committee on Co-operation is serviced by the Co-operative Development Unit in the Attorney-General's Department. The Unit was established in 1989 and has been very supportive of MACC initiatives such as the Credit Co-operatives Workshop and Co-operative Directions.

4.	1981	1990
Members	1,622,466	2,862,333
Loans (\$M)	2,135	7,113
Assets (\$M)	2,538	8,698
Reserves (\$M)	109	586

5. In 1963 the Association of Catholic Co-operative Credit Societies Limited was arguing that a credit co-eorporative "prpeares people for other co-operative action such as housing, insurance, trading, manufacturing, lans settlement etc." (p5)

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MACC was established in February 1984. Two of the original members have continued their membership - David Griffiths and Race Mathews. The other current members of MACC are Brian MacIntosh, and Tony Gill, (Australian Association of Co-operatives, Victorian Division) Rob Nicholls and Warwick Smith (Victorian Credit Co-operatives Association) Cameron Algie (The Federation Of Housing Societies), Steve Bevington (Department of Planning and Housing) and David Lafranchi (Registrar, Co-operatives and Societies). MACC's basic terms of reference are still current and relevant.

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